we energies

231 W. Michigan Street
Milwaukee, WI 53203

www.we-energies.com

May 1, 2003

Public Service Commission of Wisconsin
Attn: Ms. Amelia Ramirez, Administrator
Division of Water, Compliance and Consumer Affairs
610 North Whitney Way
P.O. Box 7854
Madison, WI 53707-7854

Dear Ms. Ramirez:

Enclosed you will find revised pages to Wisconsin Electric Power Company's 2002 Annual Report which was filed with the Public Service Commission of Wisconsin.

Revisions have been made to the following pages:

123 through 123.20

We apologize for the inconvenience.

Sincerely,

Roman Draba
Vice President - State Regulatory Affairs

Enclosure

aa

WISCONSIN ELECTRIC POWER COMPANY

2002 SUPPLEMENTAL NOTES TO FINANCIAL STATEMENTS

NOTE 1 -- FERC FORM 1 COMPARED TO GENERALLY ACCEPTED ACCOUNTING PRINCIPLES

The accounting records of Wisconsin Electric Power Company ("Wisconsin Electric") are maintained as prescribed by the Federal Energy Regulatory Commission ("FERC") modified for the requirements of the Public Service Commission of Wisconsin ("PSCW"). The accompanying financial statements have been prepared in accordance with the accounting requirements of these regulators, which differs from generally accepted accounting principles ("GAAP"). Wisconsin Electric classifies certain items in its accompanying Comparative Balance Sheet (primarily the components of accumulated deferred income taxes, certain miscellaneous current and accrued liabilities and maturities of long-term debt) in a manner different than that required by GAAP. In addition, in accordance with regulatory reporting requirements, Wisconsin Electric accounts for its investments in majority-owned subsidiaries on the equity method rather than consolidating the assets, liabilities, revenues, and expenses of these subsidiaries, as required by GAAP.

NOTE 2 -- LOSS ON REACQUIRED BONDS

Pursuant to an order received from the PSCW in December 2001 (Docket 6630-SB-119), Wisconsin Electric wrote off $5.3 million ($3.2 million after tax) of transaction costs related the optional early redemption in January 2002 of $103.4 million of first mortgage bonds as an alternative to recognizing such costs in account 189 and amortizing them over the remaining life of the applicable bonds.

NOTE 3 -- RESTRICTIONS ON RETAINED EARNINGS

As of December 31, 2002, Wisconsin Electric has appropriated retained earnings in account 215.1 in the amount of $2.1 million as required by the FERC for licensed hydro project amortization reserve purposes.

The following additional Notes to Financial Statements, modified for requirements of the FERC, appear in Wisconsin Electric's 2002 Annual Report on Form 10-K, filed with the Securities and Exchange Commission on February 28, 2003.

WISCONSIN ELECTRIC POWER COMPANY

2002 10-K FINANCIAL STATEMENT NOTES, MODIFIED FOR REQUIREMENTS OF THE PSCW

NOTES TO FINANCIAL STATEMENTS

A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

General: Wisconsin Electric Power Company ("Wisconsin Electric" or the "Company") a wholly-owned subsidiary of Wisconsin Energy Corporation ("Wisconsin Energy"), is an electric, gas and steam utility which services electric customers in Wisconsin and the Upper Peninsula of Michigan, gas customers in Wisconsin and steam customers in metro Milwaukee. Wisconsin Electric owns 100% of Bostco LLC ("Bostco") and accounts for it as an investment in account 123.1.

On April 26, 2000, Wisconsin Energy acquired WICOR, Inc. ("WICOR") in a business combination that was accounted for as a purchase. WICOR was a diversified utility holding company with utility and non-utility energy subsidiaries, as well as pump manufacturing subsidiaries. Following the merger, WICOR and its subsidiaries, including Wisconsin Gas Company ("Wisconsin Gas"), the largest natural gas distribution public utility in Wisconsin, became subsidiaries of Wisconsin Energy. Wisconsin Energy has integrated the gas operations of Wisconsin Electric and Wisconsin Gas, as well as many corporate support areas. On November 1, 2000, Wisconsin Electric and Wisconsin Gas filed an application with the Public Service Commission of Wisconsin ("PSCW") for authority to transfer Wisconsin Electric's gas utility assets together with certain identified liabilities associated with such assets. On December 4, 2001, Wisconsin Electric and Wisconsin Gas entered into a stipulation with the "PSCW" in which a Consent Order was issued by the PSCW providing for the withdrawal of the joint application. Wisconsin Energy continues to operate the gas business of Wisconsin Electric and Wisconsin Gas under the trade name "We Energies" as one operation to achieve operating efficiencies and improved reliability.

Reclassifications: Certain prior year financial statement amounts have been reclassified to conform to their current year presentation. These reclassifications had no effect on net income.

Revenues: Energy revenues are recognized on the accrual basis and include estimated amounts for service rendered but not billed.

Wisconsin Electric's rates include base amounts for estimated fuel and purchased power costs. The Company can request recovery of fuel and purchased power costs prospectively from retail electric customers in the Wisconsin jurisdiction through its rate review process with the PSCW and in interim fuel cost hearings when such annualized costs are more than 3% higher than the forecasted costs used to establish rates. Wisconsin Electric's retail gas rates include monthly adjustments which permit the recovery or refund of actual purchased gas costs.

Property and Depreciation: Utility property, plant and equipment is recorded at cost. Cost includes material, labor, overhead and allowance for funds used during construction. Additions to and significant replacements of property are charged to property, plant and equipment at cost; minor items are charged to maintenance expense. The cost of depreciable utility property, together with removal cost less salvage value, is charged to accumulated depreciation when property is retired.

Capitalized software costs are included in the caption "Property, Plant and Equipment" on the Balance Sheets. As of December 31, 2002 and 2001, capitalized software costs totaled $50.5 million and $61.1 million, respectively.

Utility depreciation rates are certified by the state regulatory commissions and include estimates for salvage value and removal costs. Depreciation as a percent of average depreciable utility plant was 4.5% in 2002 and 4.6% in 2001. Nuclear plant decommissioning costs are accrued and included in depreciation expense (see Note F).

Other property, plant and equipment is recorded at cost. Cost includes material, labor, overhead and capitalized interest. Additions to and significant replacements of property are charged to property, plant and equipment at cost; minor items are charged to maintenance expense. Upon retirement or sale of other property and equipment, the cost and related accumulated depreciation are removed from the accounts and any gain or loss is included in "Other Income and Deductions - Other" in the Income Statements.

Depreciation expense is accrued at straight-line rates over the estimated useful lives of the assets. Estimated useful lives are 2 to 5 years for software.

Allowance For Funds Used During Construction: Allowance for funds used during construction ("AFUDC") is included in utility plant accounts and represents the cost of borrowed funds used during plant construction and a return on stockholders' capital used for construction purposes. Allowance for borrowed funds also includes interest capitalized on qualifying assets of non-utility subsidiaries. In the Income Statements, the cost of borrowed funds (AFUDC-debt) is shown as an offset to interest expense and the return on stockholders' capital (AFUDC-equity) is an item of other income.

As approved by the PSCW, Wisconsin Electric capitalized AFUDC-debt and equity at the following rates during the periods indicated:

- January 1, 2001 -- continuing 10.18%

Materials, Supplies and Inventories: Inventory at December 31 consists of:

Materials, Supplies and Inventories	2002	2001
	(Millions of Dollars)	
Fossil Fuel	$124.3	$101.8
Natural Gas in Storage	37.4	43.7
Materials and Supplies	82.8	81.6
Total	$244.5	$227.1

Substantially all fossil fuel, materials and supplies and natural gas in storage inventories are priced using the weighted-average method of accounting.

Regulatory Accounting: The Company accounts for its regulated operations in accordance with Statement of Financial Accounting Standards No. 71, Accounting for the Effects of Certain Types of Regulation. This statement sets forth the application of generally accepted accounting principles to those companies whose rates are determined by an independent third-party regulator. The economic effects of regulation can result in regulated companies recording costs that have been or are expected to be allowed in the ratemaking process in a period different from the period in which the costs would be charged to expense by an unregulated enterprise. When this occurs, costs are deferred as assets in the balance sheet (regulatory assets) and recorded as expenses in the periods when those same amounts are reflected in rates. Additionally, regulators can impose liabilities upon a regulated company for amounts previously collected from customers and for amounts that are expected to be refunded to customers (regulatory liabilities). As of December 31, 2002, the Company had approximately $20.0 million of regulatory assets that were not earning a return. All regulatory assets have been deferred pursuant to specific rate orders, or by a generic order issued by the Company's primary regulator. Regulatory assets are expected to be recovered in rates over a period of no longer than 20 years.

Deferred regulatory assets and liabilities at December 31 consist of:

Deferred Regulatory Assets and Liabilities	2002	2001
	(Millions of Dollars)	
Deferred Regulatory Assets		
Unrecognized pension costs (See Note K)	$135.8	$ -
Deferred income tax related (See Note E)	138.4	142.7
Deferred transmission costs	62.5	22.3
Other plant related -- capital lease (See Note G)	47.2	39.0
Environmental costs	44.0	41.2
Department of Energy assessments	13.3	15.9
Lightweight aggregate plant	12.2	16.8
Deferred nuclear costs	1.2	4.7
Other, net	3.9	4.8
Total Deferred Regulatory Assets	$458.5	$287.4
Deferred Regulatory Liabilities		
Deferred income tax related (See Note E)	$97.5	$103.9
Tax and interest refunds	20.7	9.9
NOx escrow	11.9	8.6
Other, net	27.4	19.0
Total Deferred Regulatory Liabilities	$157.5	$141.4

As of December 31, 2002, the Company recorded a minimum pension liability of $163.6 million to reflect the funded status of its pension plans. The Company has concluded that $135.8 million of the unrecognized pension costs which arose from recording the minimum pension liability under SFAS 87 qualifies as a regulatory asset, with $8.1 million after tax reported as a charge to other comprehensive income.

During 2000, the PSCW authorized Wisconsin Electric to defer with a carrying cost accrual incremental start-up costs and transmission operations costs in excess of transmission costs being recovered in existing rates related to creation of American Transmission Company ("ATC"). These deferred charges increased during 2001 and 2002 reflecting the incremental costs of receiving transmission service from ATC compared to recovery in the Company's base rates. In October 2002, the PSCW authorized a transmission surcharge and escrow accounting to provide recovery of the prior deferred transmission charges plus future incremental transmission charges.

Wisconsin Electric directs a variety of demand-side management programs to help foster energy conservation by its customers. As authorized by the PSCW, Wisconsin Electric capitalized certain conservation program costs prior to 1995. Utility rates approved by the PSCW provide for a current return on these conservation investments. Included in Investments on the Balance Sheet at December 31, 2002 and 2001 are conservation investments of $6.0 million and $11.6 million, respectively, which are amortized to income based upon PSCW order.

During 2000, Wisconsin Electric discontinued operation of its lightweight aggregate plant at Oak Creek Power Plant. As authorized by the PSCW, Wisconsin Electric transferred the associated remaining undepreciated plant balance of $19.7 million on December 31, 2000, to a deferred regulatory asset account, which is being amortized over the five year period ending December 31, 2005.

Income Taxes: Wisconsin Electric is included in Wisconsin Energy's Federal income tax return. As such, Wisconsin Energy allocates Federal current tax expense or credits to Wisconsin Electric based on its separate tax computation.

Investment tax credits related to regulated utility assets are recorded as a deferred credit on the balance sheet and amortized to income over the applicable service lives of related properties in accordance with regulatory treatment.

Derivative Financial Instruments: The Company has derivative physical and financial instruments as defined by Statement of Financial Accounting Standards No. 133, Accounting for Derivative Instruments and Hedging Activities ("SFAS 133"), however use of financial instruments is limited and was immaterial during the years ended December 31, 2002 and 2001. For further information, see Note I.

Statement of Cash Flows: Cash and cash equivalents include marketable debt securities acquired three months or less from maturity.

Supplemental Information	2002	2001
	(Millions of Dollars)	
Cash Paid For		
Interest (net of amount capitalized)	$114.4	$131.7
Income taxes (net of refunds)	$127.1	$142.1

Restrictions: Various financing arrangements and regulatory requirements impose certain restrictions on the ability of Wisconsin Electric to transfer funds to Wisconsin Energy in the form of cash dividends, loans or advances. Under Wisconsin law, Wisconsin Electric is prohibited from loaning funds, either directly or indirectly, to Wisconsin Energy. The Company does not believe that such restrictions will materially affect its operations.

Investments: Investments in affiliated companies are accounted for using the equity method.

Nuclear Fuel Amortization: The Company leases nuclear fuel and amortizes it to fuel expense as the power is generated, generally over a period of 60 months.

Use of Estimates: The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts of certain assets and liabilities and disclosure of contingent assets and liabilities at the date of financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

B -- RECENT ACCOUNTING PRONOUNCEMENTS

Asset Retirement Obligations: In June 2001, the Financial Accounting Standards Board issued SFAS 143, Accounting for Asset Retirement Obligations. SFAS 143, which is effective January 1, 2003, requires entities to record the fair value of a legal liability for an asset retirement obligation in the period in which it is incurred. When a new liability is recorded beginning in 2003, the entity will capitalize the costs of the liability by increasing the carrying amount of the related long-lived asset. The liability is accreted to its present value each period, and the capitalized cost is depreciated over the useful life of the related asset. Upon settlement of the liability, an entity settles the obligation for its recorded amount or incurs a gain or loss upon settlement. The Company adopted SFAS 143 effective January 1, 2003.

The Company has completed a detailed assessment of the specific applicability and implications of SFAS 143. The scope of SFAS 143 includes primarily decommissioning costs for the Point Beach Nuclear Plant ("Point Beach"). It also applies to a smaller extent to several other utility assets including: active ash landfills, water treatment basins, removal of certain coal handling equipment and water intake facilities located on lakebeds, and the dismantlement of certain hydro facilities. Other than for Point Beach, the Company's asset retirement obligations as of January 1, 2003 will not be significant. As it relates to regulated operations, the Company believes that adoption of SFAS 143 results primarily in timing differences in the recognition of legal asset retirement costs that the Company is currently recovering in rates and will be deferring such differences under SFAS 71 (See Note A).

Prior to January 2003, the Company recorded nuclear decommissioning charges in Accumulated Depreciation. Upon adoption of SFAS 143, the Company will reverse the $550 million it had previously recorded in Accumulated Depreciation, and it will record a liability of approximately $673 million, and a net asset of approximately $30 million. The difference between amounts previously recorded and the net SFAS 143 liability will be deferred as a regulatory asset and is expected to approximate $93 million. The asset retirement obligations for active ash landfills, water treatment basins and the removal of certain coal handling equipment and water intake facilities located on lakebeds cannot be reasonably estimated due to an indeterminate life for the associated assets. The time period until retirement is unknown at the current time and therefore no liability was recorded for these obligations with the adoption of SFAS 143.

The regulated operations of the Company also collect removal costs in rates for certain assets that do not have associated legal asset retirement obligations. As of December 31, 2002, the Company estimates that it has approximately $400 million of such regulatory liabilities recorded in Accumulated Depreciation.

Variable Interest Entities: In January 2003, the Financial Accounting Standards Board issued Interpretation 46, Consolidation of Variable Interest Entities. This standard will require an enterprise that is the primary beneficiary of a variable interest entity to consolidate that entity. The Interpretation must be applied to any existing interests in variable interest entities beginning in the third quarter of 2003. The Company does not expect to consolidate any existing interest in unconsolidated entities as a result of Interpretation 46.

C – AMERICAN TRANSMISSION COMPANY

Effective January 1, 2001, Wisconsin Electric transferred its electric utility transmission system assets with a net book value of approximately $224.1 million to American Transmission Company LLC ("ATC") in exchange for an equity interest in this new company. No gain or loss was recorded in this transaction. During 2001, ATC issued debt and distributed $105.2 million of cash back to Wisconsin Electric as a partial return of the original equity contribution. As of December 31, 2002, the Company had an equity interest of approximately 37% in ATC. Wisconsin Electric is represented by one out of fourteen board members, each of which has one vote. Due to the voting requirements, no individual member has more than 8% of the voting control. The Company accounts for its investment under the equity method.

D – CHARGES

During the fourth quarter of 2000, the Company recorded one-time charges totaling $43.9 million after tax. Of this, $34.3 million related to severance and employee benefits and merger-related items. In connection with the WICOR merger and the divestiture of non-core businesses, approximately 170 employees received severance benefits under severance agreements and enhanced retirement initiatives. The Company has paid all of the anticipated expenses as of December 31, 2002. No other adjustments were made to the reserves.

E -- INCOME TAXES

The Company follows the liability method in accounting for income taxes as prescribed by Statement of Financial Accounting Standards No. 109, Accounting for Income Taxes ("SFAS 109"). SFAS 109 requires the recording of deferred assets and liabilities to recognize the expected future tax consequences of events that have been reflected in the Company's financial statements or tax returns and the adjustment of deferred tax balances to reflect tax rate changes. Tax credits associated with regulated operations are deferred and amortized over the life of the assets. Historical rehabilitation tax credits are recognized in income in the year the credit is claimed.

The following table is a summary of income tax expense for each of the years ended December 31:

Income Tax Expense	2002	2001
	(Millions of Dollars)	
Current tax expense	$192.7	$189.5
Deferred income taxes, net	(27.5)	(28.4)
Investment tax credit, net	(4.5)	(4.5)
Total Income Tax Expense	$160.7	$156.6

The provision for income taxes for each of the years ended December 31 differs from the amount of income tax determined by applying the applicable U.S. statutory federal income tax rate to income before income taxes and preferred dividend as a result of the following:

	2002		2001	
Income Tax Expense	Amount	Effective Tax Rate	Amount	Effective Tax Rate
	(Millions of Dollars)			
Expected tax at statutory federal tax rates	$145.9	35.0%	$141.0	35.0%
State income taxes net of federal tax benefit	20.6	4.9%	20.7	5.1%
Investment tax credit restored	(4.5)	(1.0%)	(4.5)	(1.1%)
Other, net	(1.3)	(0.4%)	(0.6)	(0.2%)
Total Income Tax Expense	$160.7	38.5%	$156.6	38.8%

The components of SFAS 109 deferred income taxes classified as net current assets and net long-term liabilities at December 31 are as follows:

Deferred Income Taxes	Current Assets (Liabilities) 2002	Current Assets (Liabilities) 2001	Long-Term Liabilities (Assets) 2002	Long-Term Liabilities (Assets) 2001
	(Millions of Dollars)			
Property-related	$ -	$ -	$607.8	$568.8
Construction advances	-	-	(75.7)	(69.8)
Decommissioning trust	-	-	(59.0)	(55.0)
Contested liability payment	(2.4)	(44.5)	-	-
Recoverable gas costs	2.3	(0.5)	-	-
Uncollectible account expense	9.1	7.9	-	-
Employee benefits and compensation	10.7	10.4	(37.5)	(30.6)
Asset impairment charge	10.8	10.8	-	-
Other	7.8	9.1	(5.1)	(14.4)
Total Deferred Income Taxes	$38.3	($6.8)	$430.5	$399.0

Wisconsin Electric has also recorded deferred regulatory assets and liabilities representing the future expected impact of deferred taxes on utility revenues (see Note A).

F – NUCLEAR OPERATIONS

Point Beach Nuclear Plant: Wisconsin Electric owns two 510-megawatt electric generating units at Point Beach in Two Rivers, Wisconsin. Point Beach is operated by Nuclear Management Company, a company that, as of December 31, 2002, provides services to nine nuclear generating units in the Midwest. Nuclear Management Company is owned by the Company and the affiliates of four other unaffiliated investor-owned utilities in the region. Wisconsin Electric currently expects the two units at Point Beach to operate to the end of their operating licenses, which expire in October 2010 for Unit 1 and in March 2013 for Unit 2.

Nuclear Insurance: The Price-Anderson Act, as amended and extended to August 1, 2002, currently limits the total public liability for damages arising from a nuclear incident at a nuclear power plant to approximately $9.4 billion, of which $200 million is covered by liability insurance purchased from private sources. The remaining $9.2 billion is covered by an industry retrospective loss sharing plan whereby in the event of a nuclear incident resulting in damages exceeding the private insurance coverage, each owner of a nuclear plant would be assessed a deferred premium of up to $88.1 million per reactor (Wisconsin Electric owns two) with a limit of $10 million per reactor within one calendar year. As the owner of Point Beach, Wisconsin Electric would be obligated to pay its proportionate share of any such assessment.

Wisconsin Electric, through its membership in Nuclear Electric Insurance Limited ("NEIL"), carries decontamination, property damage and decommissioning shortfall insurance covering losses of up to $1.5 billion at Point Beach. Under policies issued by NEIL, the insured member is liable for a retrospective premium adjustment in the event of catastrophic losses exceeding the full financial resources of NEIL. Wisconsin Electric's maximum retrospective liability under its policies is $13.2 million.

Wisconsin Electric also maintains insurance with NEIL covering business interruption and extra expenses during any prolonged accidental outage at Point Beach, where such outage is caused by accidental property damage from radioactive contamination or other risks of direct physical loss. Wisconsin Electric's maximum retrospective liability under this policy is $10.5 million.

It should not be assumed that, in the event of a major nuclear incident, any insurance or statutory limitation of liability would protect Wisconsin Electric from material adverse impact.

Nuclear Decommissioning: Nuclear decommissioning costs are accrued over the expected service lives of the nuclear generating units and are included in electric rates. Decommissioning expense was $17.6 million for each of the years ended 2002 and 2001. As of December 31, 2002, and 2001, the Company had the following Nuclear Decommissioning Trust Fund balance, stated at fair value, which is equal to the accrued decommissioning liability balance included in accumulated depreciation.

	2002	2001
	(Millions of Dollars)	
Funding and Realized Earnings	$458.6	$434.8
Unrealized Gains	91.4	154.8
Total	$550.0	$589.6

In Accordance with Statement of Financial Accounting Standards No. 115, Accounting for Certain Investments in Debt and Equity Securities, Wisconsin Electric's debt and equity security investments in the Nuclear Decommissioning Trust Fund are classified as available for sale. Gains and losses on the fund were determined on the basis of specific identification; net unrealized holding gains on the fund were recorded as part of the fund and as part of accumulated depreciation.

The Company records decommissioning expense in amounts equal to the amounts collected in rates and funded to the external trusts. As of December 31, 2002 and 2001, the Company had accumulated provisions for decommissioning expense of $550.0 million and $589.6 million, respectively. Such amounts were included on the balance sheets under Accumulated Depreciation.

Beginning January 1, 2003, the Company adopted SFAS 143 Accounting for Asset Retirement Obligations. Under SFAS 143, the Company recorded a liability on its balance sheet for the net present value of the expected cash flows associated with the Company's legal obligation to decommission its nuclear plants. The Company estimates that this liability was approximately $673 million as of January 1, 2003. Under SFAS 71, Accounting for the Effects of Certain Types of Regulation, the Company recorded a regulatory asset for the amounts that the Asset Retirement Obligation liability exceeded amounts collected in rates. The Company estimates that this regulatory asset was approximately $93 million as of January 1, 2003. In the future, if the SFAS 143 liability is less than the amounts funded, then the Company would expect to record a regulatory liability for the difference based on the expected rate treatment from its primary regulator.

The asset retirement liability as calculated under SFAS 143 is based on several significant assumptions including the timing of future cash flows, future inflation rates, the extent of work that is performed and the interest rate to discount the future cash flows. These assumptions differ significantly from the assumptions used by the PSCW to calculate the nuclear decommissioning liability for funding purposes. Under SFAS 143, the Company estimated an 85% probability of plant relicensing based strictly on industry averages. The Company has not made a decision to apply for relicensing.

In 2002, the Company engaged a consultant to perform a site specific study for regulatory funding purposes. This study assumed that the plants would not run past their current operating licenses of 2010 and 2013, respectively, and the study made several assumptions as to the scope of work. The study also estimated the liability for fuel management costs and non-nuclear demolition costs. These costs are excluded from the calculation of the SFAS 143 liability. The 2002 site specific study estimated that the cost to decommission the plant in 2002 year dollars was approximately $1,072 million.

The following table reconciles the regulatory funding liability with the anticipated SFAS 143 liability as of January 1, 2003:

	(Millions of Dollars)
SFAS 143 liability	$673
Costs included in regulatory funding	
Fuel management costs	151
Non-nuclear demolition	88
Timing of future cash flows	160
Total regulatory funding liability	$1,072

The ultimate timing and amount of future cash flows associated with nuclear decommissioning is dependent upon many significant variables including the scope of work involved, the ability to relicense the plants, future inflation rates and discount rates. However, based on the current plant licenses, the Company does not expect to make any nuclear decommissioning expenditures in excess of $1.0 million before the year 2009.

Decontamination and Decommissioning Fund: The Energy Policy Act of 1992 established a Uranium Enrichment Decontamination and Decommissioning Fund ("D&D Fund") for the United States Department of Energy's nuclear fuel enrichment facilities. Deposits to the D&D Fund are derived in part from special assessments on utilities using enrichment services. As of December 31, 2002, Wisconsin Electric recorded its remaining estimated liability equal to projected special assessments of $10.7 million. A deferred regulatory asset is detailed in Note A. The deferred regulatory asset will be amortized to nuclear fuel expense and included in utility rates over the next five years ending in 2007.

The following information on special assessments levied under the Energy Policy Act of 1992 is provided in accordance with Federal Energy Regulatory Commission Docket No. RM93-18-001:

	2002	2001
	(In Millions)	
Expenses recorded in Account 518	$3.4	$3.3
Payments to Department of Energy	$3.4	$3.4

G -- LONG-TERM DEBT

First Mortgage Bonds, Debentures and Notes: At December 31, 2002, the maturities and sinking fund requirements through 2007 and thereafter for the aggregate amount of long-term debt outstanding (excluding obligations under capital leases) were:

	(Millions of Dollars)
2003	$1.9
2004	141.9
2005	1.9
2006	202.9
2007	0.0
Thereafter	908.4
Total	$1,257.0

Sinking fund requirements for the years 2003 through 2007, included in the preceding table, are $8.0 million. Substantially all of Wisconsin Electric's utility plant is subject to a first mortgage lien.

Long-term debt premium or discount and expense of issuance are amortized over the lives of the debt issues and included as interest expense.

In January 2002, the Company redeemed $100 million of 8-3/8% first mortgage bonds due 2026 and $3.4 million of 9-1/8% first mortgage bonds due 2024. Early redemption of this long-term debt was financed through the issuance of short-term commercial paper.

Obligations Under Capital Leases: In 1997, Wisconsin Electric entered into a 25-year power purchase contract with an unaffiliated independent power producer. The contract, for 236 megawatts of firm capacity from a gas-based cogeneration facility, includes no minimum energy requirements. When the contract expires in 2022, Wisconsin Electric may, at its option and with proper notice, renew for another ten years or purchase the generating facility at fair value or allow the contract to expire. Wisconsin Electric accounts for this contract as a capital lease. The leased facility and corresponding obligation under capital lease were recorded at the estimated fair value of the plant's electric generating facilities. The leased facility is being amortized on a straight-line basis over the original 25-year term of the contract.

The long-term power purchase contract is treated as an operating lease for rate-making purposes and the minimum lease payments are recorded as purchased power expense on the Income Statements. Such payments totaled $22.3 million and $21.5 million during 2002 and 2001, respectively. As a result, the difference between the minimum lease payments and the sum of the imputed interest and amortization costs under capital lease accounting are recorded as a deferred regulatory asset - other plant related -- capital lease (see Note A). Due to the timing of the minimum lease payments, Wisconsin Electric expects the regulatory asset to increase to approximately $78.5 million by the year 2009 and the total obligation under capital lease to increase to $160.2 million by the year 2005 before each is reduced over the remaining life of the contract.

Wisconsin Electric has a nuclear fuel leasing arrangement with Wisconsin Electric Fuel Trust ("Trust") which is treated as a capital lease. The nuclear fuel is leased and amortized to fuel expense as the power is generated, generally over a period of 60 months. Lease payments include charges for the cost of fuel burned, financing costs and management fees. In the event Wisconsin Electric or the Trust terminates the lease, the Trust would recover its unamortized cost of nuclear fuel from Wisconsin Electric. Under the lease terms, Wisconsin Electric is in effect the ultimate guarantor of the Trust's commercial paper and line of credit borrowings financing the investment in nuclear fuel. Interest expense on the nuclear fuel lease, included in fuel expense, was $1.9 million and $3.3 million during 2002 and 2001, respectively.

Following is a summary of Wisconsin Electric's capitalized leased facilities and nuclear fuel at December 31.

Capital Lease Assets	2002	2001
	(Millions of Dollars)	
Leased Facilities		
Long-term purchase power commitment	$140.3	$140.3
Accumulated amortization	(30.0)	(24.3)
Total Leased Facilities	$110.3	$116.0
Nuclear Fuel		
Under capital lease	$118.4	$127.5
Accumulated amortization	(63.7)	(80.0)
In process/stock	8.5	26.1
Total Nuclear Fuel	$63.2	$73.6

Future minimum lease payments under the capital leases and the present value of the net minimum lease payments as of December 31, 2002 are as follows:

Capital Lease Obligations	Purchase Power Commitment	Nuclear Fuel Lease	Total
	(Millions of Dollars)		
2003	$28.0	$28.1	$56.1
2004	29.0	17.9	46.9
2005	30.1	12.9	43.0
2006	31.2	5.2	36.4
2007	32.4	2.3	34.7
Thereafter	437.5	-	437.5
Total Minimum Lease Payments	588.2	66.4	654.6
Less: Estimated Executory Costs	(123.1)	-	(123.1)
Net Minimum Lease Payments	465.1	66.4	531.5
Less: Interest	(307.6)	(5.7)	(313.3)
Present Value of Net Minimum Lease Payments	157.5	60.7	218.2
Less: Due Currently	-	(25.1)	(25.1)
	$157.5	$35.6	$193.1

H -- SHORT-TERM DEBT

Short-term notes payable balances and their corresponding weighted-average interest rates at December 31 consist of:

Short-Term Debt	2002 Balance	2002 Interest Rate	2001 Balance	2001 Interest Rate
	(Millions of Dollars)			
Banks and Other	$50.0	1.29%	$50.0	1.90%
Commercial paper	281.7	1.38%	111.5	1.87%
Total Short-Term Debt	$331.7	1.37%	$161.5	1.88%

On December 31, 2002, Wisconsin Electric had approximately $230 million of available unused lines of bank back-up credit facilities. The Company had approximately $331.7 million of total short-term debt outstanding on such date.

Wisconsin Electric has entered into a bank back-up credit agreement to maintain short-term credit liquidity which, among other terms, require the companies to maintain a minimum total funded debt to capitalization ratio of less than 65%.

I -- DERIVATIVE INSTRUMENTS

Effective January 1, 2001 the Company adopted SFAS 133, which requires that every derivative instrument be recorded on the balance sheet as an asset or liability measured at its fair value and that changes in the derivative's fair value be recognized currently in earnings unless specific hedge accounting criteria are met.

Wisconsin Electric had a limited number of physical commodity contracts that are defined as derivatives under SFAS 133 and that qualify for cash flow hedge accounting. These cash flow hedging instruments are comprised of electric forward contracts which are used to manage the supply of and demand for electricity and gas futures and basis swap contracts utilized to manage the cost of gas for the utility's gas operations. The adoption of SFAS 133 on January 1, 2001 required the fair market values of these derivative instruments to be recorded as assets and liabilities on the balance sheet and a cumulative effect of a change in accounting principle in Accumulated Other Comprehensive Income. The impact of this transition as of January 1, 2001, was a $5.1 million reduction in Accumulated Other Comprehensive Income which was reclassified into earnings during 2001.

For Wisconsin Electric's gas operation, changes in the fair market values of cash flow hedging instruments, to the extent that the hedges are effective at mitigating the underlying commodity risk, will be recorded in Accumulated Other Comprehensive Income. At the date the underlying transaction occurs, the amounts in Accumulated Other Comprehensive Income will be reported in earnings. The ineffective portion of the derivative's change in fair value will be recorded as a regulatory asset or liability immediately as these transactions are part of the purchased gas adjustment.

For the years ended December 31, 2002 and 2001, the amount of hedge ineffectiveness was immaterial. Wisconsin Electric did not exclude any components of derivative gains or losses from the assessment of hedge effectiveness. The maximum length of time over which Wisconsin Electric is hedging its exposure to the variability in future cash flows of forecasted transactions as of December 31, 2002, was seven months. Wisconsin Electric estimates that losses of $0.5 million will be reclassified from Accumulated Other Comprehensive Income into earnings during the first seven months of 2003 as the hedged transactions affect earnings.

During the third quarter of 2002, Wisconsin Electric's regulated electric operations received approval from the PSCW to establish regulatory asset and liabilities in accordance with SFAS 71 to offset the effects of fair market value accounting for any electric-related contracts that qualify as derivatives under SFAS 133.

J -- FAIR VALUE OF FINANCIAL INSTRUMENTS

The carrying amount and estimated fair value of certain of Wisconsin Electric's recorded financial instruments at December 31 are as follows:

	2002		2001	
Financial Instruments	Carrying Amount	Fair Value	Carrying Amount	Fair Value
	(Millions of Dollars)			
Nuclear decommissioning trust fund	$550.0	$550.0	$589.6	$589.6
Preferred stock, no redemption required	$30.4	$17.5	$30.4	$16.7
Long-term debt including current portion	$1,257.0	$1,302.1	$1,512.3	$1,549.6

The carrying value of cash and cash equivalents, net accounts receivable, accounts payable and short-term borrowings approximates fair value due to the short term nature of these instruments. The nuclear decommissioning trust fund is carried at fair value as reported by the trustee (see Note F). The fair values of Wisconsin Electric's preferred stock are estimated based upon the quoted market value for the same or similar issues. The fair value of Wisconsin Electric's long-term debt, including the current portion of long-term debt but excluding capitalized leases, is estimated based upon quoted market value for the same or similar issues or upon the quoted market prices of U.S. Treasury issues having a similar term to maturity, adjusted for the issuing company's bond rating and the present value of future cash flows. The fair values of gas commodity instruments are equal to their carrying values as of December 31, 2002.

K -- BENEFITS

Pensions and Other Postretirement Benefits: The Company and Wisconsin Energy provide defined benefit pension and other postretirement benefit plans to employees. In 2002, the assets and obligations of the Company's defined benefit pension plan were transferred from the Company to Wisconsin Energy. Additionally, two of the defined benefit plans sponsored by Wisconsin Gas were merged into the Wisconsin Energy Plan. The Wisconsin Energy Plan provides pension benefits to employees of Wisconsin Energy, the Company and other subsidiaries of Wisconsin Energy.

Wisconsin Energy allocates the service cost component of pension costs to participating companies based on labor dollars. The assets, obligations and the components of SFAS 87 pension costs other than service cost (including the minimum pension liability) are allocated by the Company's actuary to each of the participating companies as if each participating company had its own plan. The disclosures below are based on an allocation of the amounts for the Wisconsin Energy Plan to the Company.

The status of these plans, including a reconciliation of qualified and unqualified benefit obligations, a reconciliation of plan assets and the funded status of the plans follows.

Status of Benefit Plans	Pension Benefits 2002	Pension Benefits 2001	Other Postretirement Benefits 2002	Other Postretirement Benefits 2001
	(Millions of Dollars)			
Change in Benefit Obligation				
Benefit Obligation at January 1	$806.2	$773.5	$205.3	$173.4
Service cost	18.3	18.5	7.5	6.2
Interest cost	56.7	57.0	15.3	13.6
Plan participants' contributions	-	-	6.9	5.8
Plan amendments	0.1	-	-	-
Actuarial loss	28.6	14.9	39.8	21.9
Benefits paid	(58.7)	(57.7)	(17.2)	(15.6)
Benefit Obligation at December 31	$851.2	$806.2	$257.6	$205.3
Change in Plan Assets				
Fair Value at January 1	$756.4	$873.2	$81.0	$79.4
Actual (loss) on plan assets	(91.2)	(60.3)	(5.1)	(0.1)
Employer contributions	3.1	1.2	13.0	11.5
Plan participants' contributions	-	-	6.9	5.8
Benefits paid	(58.7)	(57.7)	(17.2)	(15.6)
Fair Value at December 31	$609.6	$756.4	$78.6	$81.0
Funded Status of Plans				
Funded status at December 31	($241.6)	($49.8)	($179.0)	($124.3)
Unrecognized				
Net actuarial loss (gain)	203.2	18.4	92.1	44.1
Prior service cost	22.9	26.2	0.2	0.3
Net transition (asset) obligation	(4.5)	(6.8)	15.4	16.8
Net Asset (Accrued Benefit Cost)	($20.0)	($12.0)	($71.3)	($63.1)
Amounts recognized in the Balance Sheet consist of:				
Prepaid benefit cost	$13.5	$12.3	$0.1	$0.1
Accrued benefit cost	(28.5)	(24.3)	(71.4)	(63.2)
Additional minimum liability	(163.6)	-	-	-
Intangible asset	22.8	-	-	-
Regulatory asset (See Note A)	135.8	-	-	-
Net amount recognized at end of year	($20.0)	($12.0)	($71.3)	($63.1)

The components of net periodic pension and other postretirement benefit costs as well as the weighted-average assumptions used in accounting for the plans include the following:

Benefit Plan Cost Components	Pension Benefits 2002	Pension Benefits 2001	Other Postretirement Benefits 2002	Other Postretirement Benefits 2001
	(Millions of Dollars)			
Net Periodic Benefit Cost (Income)				
Service cost	$18.3	$18.5	$7.5	$ 6.2
Interest cost	56.7	57.0	15.3	13.6
Expected return on plan assets	(68.2)	(71.3)	(6.8)	(6.8)
Amortization of:				
Transition (asset) obligation	(2.2)	(2.2)	1.5	1.5
Prior service cost	3.4	3.3	-	0.1
Actuarial loss (gain)	3.1	0.9	3.7	1.5
Net Periodic Benefit Cost (Income)	$11.1	$6.2	$21.2	$16.1
Weighted-Average Assumptions				
Discount rate	6.75	7.25	6.75	7.25
Expected return on plan assets	9.0	9.0	9.0	9.0
Rate of compensation increase	4.0 to 5.0	4.5 to 5.0	4.0 to 5.0	4.5 to 5.0

Pension Plans: As of December 31, 2002, approximately 71% of plan assets are invested in equity securities, and the balance of plan assets are invested in corporate and government bonds and real estate. In the opinion of the Company, current pension trust assets and amounts which are expected to be paid to the trusts in the future will be adequate to meet pension payment obligations to current and future retirees.

Other Postretirement Benefits Plans: The Company uses Employees' Benefit Trusts to fund a major portion of other postretirement benefits. The majority of the trusts' assets are mutual funds or commingled indexed funds.

Effective January 1, 1992, postretirement benefit costs have been calculated in accordance with SFAS 106, Employers' Accounting for Postretirement Benefits Other Than Pensions, and are recoverable from the utility customers of Wisconsin Electric.

The assumed health care cost trend rate for 2003 is at 10% for all plan participants decreasing gradually to 5% in 2008 and thereafter. Assumed health care cost trend rates have a significant effect on the amounts reported for health care plans.

A one-percentage-point change in assumed health care cost trend rates would have the following effects:

	1% Increase	1% Decrease
	(Millions of Dollars)	
Effect on		
Postretirement benefit obligation	$22.2	($19.9)
Total of service and interest cost components	$2.6	($2.3)

Savings Plans: Wisconsin Electric sponsors savings plans which allow employees to contribute a portion of their pretax and/or after tax income in accordance with plan-specified guidelines. Matching contributions under these plans charged to expense amounted to $8.3 million during 2002 and 2001, respectively.

L -- GUARANTEES

Wisconsin Electric enters into various guarantees to provide financial and performance assurance to third parties. As of December 31, 2002 the Company had the following guarantees:

	Maximum Potential Future Payments	Outstanding at Dec 31, 2002 (Millions of Dollars)	Liability Recorded at Dec 31, 2002
Wisconsin Electric Guarantees (a)	$274.9	$ -	$ -

(a) None of the guarantees have been recorded as a liability at December 31, 2002.

Wisconsin Electric guarantees support the commercial paper and line of credit borrowings for the Wisconsin Electric Fuel Trust (See Note G). Wisconsin Electric guarantees the potential retrospective premiums that could be assessed under the Wisconsin Electric's nuclear insurance program (See Note F).

Postemployment benefits: Postemployment benefits provided to former or inactive employees are recognized when an event occurs. As of December 31, 2002, the Company has recorded an estimated liability, based on an accrual analysis, of $6.4 million.

M -- SEGMENT REPORTING

Wisconsin Electric, a wholly-owned subsidiary of Wisconsin Energy Corporation, has organized its operating segments according to how it is currently regulated. Wisconsin Electric's reportable operating segments include electric, natural gas and steam utility segments. The accounting policies of the reportable operating segments are the same as those described in Note A.

The electric utility engages in the generation, distribution and sale of electric energy in southeastern (including metropolitan Milwaukee), east central and northern Wisconsin and in the Upper Peninsula of Michigan. The natural gas utility is responsible for the purchase, distribution and sale of natural gas to retail customers and the transportation of customer-owned natural gas in three service areas in southeastern, east central and northern Wisconsin. The steam utility produces, distributes and sells steam to space heating and processing customers in the Milwaukee, Wisconsin area.

Summarized financial information concerning Wisconsin Electric's reportable operating segments for each of the years ended December 31, 2002 and 2001, is shown in the following table.

	Reportable Operating Segments				
Year Ended	Electric	Gas	Steam	Other (a)	Total
	(Millions of Dollars)				
December 31, 2002					
Operating Revenues (b)	$1,884.6	$389.8	$21.5	$ -	$2,295.9
Depreciation, Decommissioning and Amortization	$230.0	$34.6	$3.3	$ -	$267.9
Operating Income (c)	$453.3	$33.5	($1.5)	$ -	$485.3
Equity in Earnings of Unconsolidated Affiliates	$20.4	$ -	$ -	$ -	$20.4
Capital Expenditures	$312.3	$34.7	$1.6	$17.1	$365.7
Total Assets (d)	$4,499.8	$499.3	$48.2	$285.0	$5,332.3
December 31, 2001					
Operating Revenues (b)	$1,839.8	$457.1	$21.8	$ -	$2,318.7
Depreciation, Decommissioning and Amortization	$231.7	$29.3	$3.3	$ -	$264.3
Operating Income (c)	$446.2	$28.6	$1.2	$ -	$476.0
Equity in Earnings of Unconsolidated Affiliates	$20.6	$ -	$ -	$ -	$20.6
Capital Expenditures	$324.4	$34.5	$3.1	$15.0	$377.0
Total Assets (d)	$4,265.6	$499.8	$48.6	$253.5	$5,067.5

(a) Other includes primarily other non-utility property and investments, materials and supplies and deferred charges.

(b) Wisconsin Electric accounts for intersegment revenues at a tariff rate established by the PSCW. Intersegment revenues are not material.

(c) Interest income and interest expense are not included in segment operating income.

(d) Common utility plant is allocated to electric, gas and steam to determine segment assets (see Note A).

N -- RELATED PARTIES

American Transmission Company ("ATC"): The Company has approximately a 37% interest in ATC, a regional transmission company established in 2000 under Wisconsin legislation. During 2002 and 2001, the Company paid ATC $85.1 million and $71.0 million, respectively, for transmission services. The Company also provides a variety of operational, maintenance and project management work for ATC, which are reimbursed to the Company by ATC.

Other: Managerial, financial, accounting, legal, data processing and other services may be rendered between associated companies and are billed in accordance with service agreements approved by the PSCW. The Company had a net receivable from associated companies of approximately $19.1 million as of December 31, 2002.

O – COMMITMENTS AND CONTINGENCIES

Capital Expenditures: Certain commitments have been made in connection with 2003 capital expenditures. During 2003, total capital expenditures are estimated to be approximately $340 million.

Operating Leases: The Company enters into long-term purchase power contracts to meet a portion of its anticipated increase in future electric energy supply needs. These contracts expire at various times through 2013. Certain of these contracts were deemed to qualify as operating leases.

Future minimum payments for the next five years and thereafter for these contracts are as follows:

	(Millions of Dollars)
2003	$33.6
2004	38.4
2005	38.6
2006	38.8
2007	39.0
Thereafter	88.2
Total	$276.6

Giddings & Lewis, Inc./City of West Allis Lawsuit: During 2002, Wisconsin Electric entered into Settlement Agreements and Releases with Giddings & Lewis Inc. and Kearney & Trecker Corporation (now a part of Giddings & Lewis) and the City of West Allis, thereby ending all remaining litigation in this lawsuit. Under the Settlement Agreements and Releases, Wisconsin Electric paid $17.3 million as full and final settlement of all damage claims against Wisconsin Electric. These settlements resulted in a 2002 charge of approximately $10.6 million for Wisconsin Electric. The Settlement Agreements were determined to be in the mutual best interests of the settling parties in order to avoid the burden, inconvenience and expense of continued litigation between the parties and does not constitute an admission of liability or wrongdoing by Wisconsin Electric with respect to any released claims.

On September 25, 2002, Wisconsin Electric filed a lawsuit against its insurance carriers to recover those costs and expenses associated with this matter covered by insurance. Wisconsin Electric intends to fully pursue any and all rights of recovery against its carriers under the applicable insurance policies.

As previously reported, in July 1999, a Milwaukee County Circuit Court jury had issued a verdict against Wisconsin Electric awarding the plaintiffs, Giddings & Lewis, Kearney & Trecker, and the City of West Allis, $4.5 million in compensatory damages and $100 million in punitive damages in an action alleging that Wisconsin Electric had deposited contaminated wastes at two sites owned by the plaintiffs in West Allis, Wisconsin. In September 2001, the Wisconsin Court of Appeals reversed the $100 million punitive damage judgment in its entirety, ordering a new trial on the issue of punitive damages only. In January 2002, the Wisconsin Supreme Court denied petitions for further review and ordered the Circuit Court to retry the issue of punitive damages. After contested hearings on April 8, 2002, the plaintiffs returned to Wisconsin Electric $117.7 million, consisting of the portion of the paid judgment pertaining to punitive damages and interest accrued on that amount. The new trial was scheduled to commence on October 21, 2002.

On August 21, 2000 and September 29, 2000, two shareholders, who had made prior demands upon Wisconsin Energy and Wisconsin Electric to initiate a shareholder derivative suit against certain officers, directors, employees and agents as a result of the City of West Allis/Giddings & Lewis litigation, filed suits on behalf of Wisconsin Energy shareholders in Milwaukee County Circuit Court. A special committee of independent directors of Wisconsin Energy determined after investigation that a derivative proceeding was not in the Company's best interests. The Company agreed to mediation of the matter which resulted in an acceptable proposal to settle the cases. The Court granted preliminary approval of the settlement agreement on October 29, 2001, and authorized sending notice of the settlement to the shareholders. A final hearing on approval of the settlement agreement was held on January 25, 2002, at which time the Court gave final approval to the settlement and dismissed the cases. The settlement did not have a significant impact on financial position or results of operations.

Environmental Matters: The Company periodically reviews its exposure for remediation costs as evidence becomes available indicating that its remediation liability has changed. Given current information, including the following, management believes that future costs in excess of the amounts accrued and/or disclosed on all presently known and quantifiable environmental contingencies will not be material to the Company's financial position or results of operations.

During 2000, the Company expanded a voluntary program of comprehensive environmental remediation planning for former manufactured gas plant sites and coal-ash disposal sites. The Company has performed a preliminary assessment of twenty-three sites, including twelve manufactured gas plant sites previously used by Wisconsin Electric, and eleven coal ash disposal/landfill sites used by Wisconsin Electric, as discussed below. The Company is working with the Wisconsin Department of Natural Resources in its investigation and remediation planning. At this time, the Company cannot estimate future remediation costs associated with these sites beyond those described below.

Manufactured Gas Plant Sites: The Company has completed remediation at three former manufactured gas plant sites, with remediation at additional sites currently being completed. Other sites are being investigated or monitored. The Company estimates that the future costs for detailed site investigation and future remediation costs may range from $25-$40 million over the next ten years. This estimate is dependent upon several variables including, among other things, the extent of remediation, changes in technology and changes in regulation. As of December 31, 2002, the Company has established reserves of $25.0 million related to future remediation costs.

The PSCW has allowed Wisconsin utilities, including Wisconsin Electric, to defer the costs spent on the remediation of manufactured gas plant sites, and has allowed for such costs to be recovered in rates over five years. As such, the Company has recorded a regulatory asset for remediation costs.

Ash Landfill Sites: Wisconsin Electric aggressively seeks environmentally acceptable, beneficial uses for its combustion by-products. However, such coal-ash by-products have been, and to some degree, continue to be disposed in Company-owned, licensed landfills. Some early designed and constructed landfills may allow the release of low levels of constituents resulting in the need for various levels of monitoring or adjusting. Where Wisconsin Electric has become aware of these conditions, efforts have been expended to define the nature and extent of any release, and work has been performed to address these conditions. The costs of these efforts are included in the fuel costs of Wisconsin Electric. During 2002 and 2001, the Company incurred $2.1 million and $1.2 million, respectively, in coal-ash remediation expenses.

As a result of the Cooperative Agreement, an innovative regulatory agreement signed with the Wisconsin Department of Natural Resources in February 2001, the Company is now able to recover fly-ash from its landfills and mix it with coal for combustion at Pleasant Prairie Power Plant. In this way, the carbon left in the ash is recovered as "ash fuel" and the resulting fly-ash produced is a high value product sold as a replacement for cement.

EPA Information Requests: Wisconsin Electric received a request for information from the United States Environmental Protection Agency ("U.S. EPA") regional offices pursuant to Section 114(a) of the Clean Air Act, in December 2000 and a supplemental request in December 2002. These requests seek information relating to operations of the Company's power plants. Wisconsin Electric submitted information responsive to the December 2000 request and is in the process of submitting information responsive to the supplemental request. These information requests are similar to those issued by the U.S. EPA to numerous electric utility companies over the past two years. The Company will continue to cooperate with the U.S. EPA on these matters. At this time, Wisconsin Energy cannot predict whether the U.S. EPA will allege past violations that might subject the Company to fines or penalties.

Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year of Report
Wisconsin Electric Power Company	(1) [X] An Original (2) [ ] A Resubmission	03/28/2003	Dec. 31, 2002

STATEMENTS OF ACCUMULATED COMPREHENSIVE INCOME, COMPREHENSIVE INCOME, AND HEDGING ACTIVITIES

1. Report in columns (b) (c) and (e) the amounts of accumulated other comprehensive income items, on a net-of-tax basis, where appropriate.

2. Report in columns (f) and (g) the amounts of other categories of other cash flow hedges.

3. For each category of hedges that have been accounted for as "fair value hedges", report the accounts affected and the related amounts in a footnote.

Line No.	Item (a)	Unrealized Gains and Losses on Available-for-Sale Securities (b)	Minimum Pension Liability adjustment (net amount) (c)	Foreign Currency Hedges (d)	Other Adjustments (e)
1	Balance of Account 219 at Beginning of Preceeding Year				
2	Preceding yr. Reclassification from Account 219 Net Income				
3	Preceding Year Changes in Fair Value				
4	Total (lines 2 and 3)				
5	Balance of Account 219 at End of Preceding Yr/Beginning of Current Yr				
6	Current Year Reclassification From Account 219 to Net Income				
7	Current Year Changes in Fair Value		(8,086,990)		
8	Total (lines 6 and 7)		(8,086,990)		
9	Balance of Account 219 at End of Current Year		(8,086,990)		